



# Tom Harkin, U.S. Senator



## MEMORANDUM

TO: Interested Parties  
FROM: Senator Tom Harkin (D-IA)  
RE: **Analysis of House Budget Cuts on Financial Regulatory Reform**  
DATE: February 23, 2011

Last week, the U.S. House approved a budget proposal for Fiscal Year 2011 which will restrict the ability of our financial watchdogs, the Securities and Exchange Commission (SEC), Commodities Futures Trading Commission (CFTC), and Consumer Financial Protection Bureau (CFPB), from regulating our financial system.

The recently-enacted Wall Street Reform and Consumer Protection Act gives new authorities to each agency to protect consumers and prevent reckless behavior by Wall Street. Without adequate funding, these agencies will not be able to effectively police our financial markets and set the stage for long-term economic growth.

Strong regulation of Wall Street banks is also critical for the success of Iowa's community banks, who are finding it more and more difficult to compete against Wall Street. Community banks are an integral part Iowa's economy, and ensuring that they can compete against the large Wall Street banks is essential for Iowa's economic future.

There is no question that the time has come for tough budget decisions, **but the smart way to bring down the deficit is for Congress to pursue a balanced approach of major spending cuts and necessary revenue increases.** As we chart a course for future economic growth, we must ensure that we correct the mistakes that caused the recession in the first place - greed on Wall Street and the failure to adequately regulate our financial markets. Cutting the budgets of our financial regulators runs the risk a return to just a short time ago, when risky behavior by banks and lack of oversight by federal regulators caused the worst recession since the great depression.

### FY2010 Funding Levels:

SEC: \$1.12 billion  
CFTC: \$169 million

### President Obama's proposed FY 2012 Budget Request:

SEC: \$1.43 billion  
CFTC: \$308 million

### House-Passed budget Funding Levels:

SEC: \$1.095 billion  
CFTC: \$111 million

Adequate funding for these agencies is essential to rebuilding our economy and preventing future financial crises. The funding cuts in the House budget would force these agencies to lay off staff, delay rule writing and information technology upgrades, and prevent them from following leads or taking other enforcement actions critical to policing our financial markets.

In addition, the House budget cuts funding for the newly-created CFPB, designed to better protect consumers from unfair, deceptive, and abusive practices across the entire financial industry, from around \$140 million to no more than \$80 million.

Harkin's full statement on the budget proposals before Congress can be found [here](#).

For a compilation of all outreach pieces on this issue, please click [here](#).